

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

City of Whitehall, Michigan



Comprehensive Annual Financial Report Year Ended June 30, 2006

Comprehensive Annual Financial Report

City of Whitehall, Michigan

June 30, 2006

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Comprehensive Annual Financial Report

City of Whitehall, Michigan

June 30, 2006

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CITY OF WHITEHALL, MICHIGAN

List of Elected and Appointed Officials

June 30, 2006

Elected Officials

Mayor	Emery Hatch
Mayor Pro Tem	Steve Sikkenga
Council Members	Jeff Holmstrom James Bartholomew Orville Smith Tanya Cabala Edd Whalen

Appointed Officials

City Manager	Scott K. Huebler
City Clerk	Karen Helmlinger
Finance Officer/Treasurer	Laurie Audo

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitehall's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the City of Whitehall's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedule of funding status on pages 9 through 16 and pages 78 through 81 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitehall's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules of operating statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Prudencia LaPres, PLLC

Muskegon, Michigan
September 8, 2006

Management Discussion and Analysis

June 30, 2006

Management of the City of Whitehall, respectfully submits this overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2006. We encourage you to consider the information presented in the financial statements along with the additional information furnished in this letter.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded liabilities of \$2,097,973 at the close of the fiscal year by \$21,153,128 (net assets). Of this amount, \$4,950,259 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$9,885,110. The business type activities added \$236,212 to net assets and ended the year with \$11,268,018.

The Brownfield Redevelopment Authority and Leaf Removal & Disposal were the only funds with a deficit at year end. Deficit reduction plans have been submitted to the state for approval.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, comprised of three components - government-wide, fund and notes. This report also contains supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide statements mentioned above are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities).

The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation, community and economic development and cultural and recreational activities. The business-type activities of the City include water supply and distribution, sewer services and the marina.

The government-wide financial statements include not only the primary government but also the legally separate entities - the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRA). The boards of these organizations are appointed by the City Council. Given the interrelation of the two, there is some potential liability for the City due to the pledge of its full faith and credit for debt obligations. The financial information of these component units is reported in a separate column from the financial information of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories - governmental, proprietary, and fiduciary.

Government Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses, and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the short term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, and the Tannery development construction fund, which are all considered major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds - The City has enterprise and internal service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are used to account for the sewer, water, and marina operations. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City uses its internal fund (Motor Pool) to charge the costs of equipment used to the

individual funds. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for sewer, water, and marina funds all of which are major funds. The internal service fund is presented in its own column in the propriety funds financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City, primarily the pension fund. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include a reading of this section to better analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund and Street Improvement Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The first table presented is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, the City's net assets from governmental activities totaled \$9,885,110 (47%) and \$11,268,018 (53%) from business-type activities, creating a total government-wide net asset total of \$21,153,128.

In examining the composition of these net assets, note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

TABLE 1
CITY OF WHITEHALL NET ASSETS

	Governmental Activities 2006	Governmental Activities 2005	Business Type Activities 2006	Business Type Activities 2005	Total 2006	Total 2005
Assets						
Current	\$ 3,196,276	\$ 2,838,925	\$ 2,925,732	\$ 3,737,464	\$ 6,122,008	\$ 6,576,389
Restricted	-	-	122,127	121,296	122,127	121,296
Noncurrent	7,580,213	7,861,708	9,426,753	8,697,763	17,006,966	16,559,471
Total Assets	10,776,489	10,700,633	12,474,612	12,556,523	23,251,101	23,257,156
Liabilities						
Current	154,231	192,036	265,863	406,807	420,094	598,843
Noncurrent	737,148	770,048	940,731	1,117,910	1,677,879	1,887,958
Total Liab	891,379	962,084	1,206,594	1,524,717	2,097,973	2,486,801
Net Assets						
Capital, Net	7,061,890	7,289,028	7,831,234	6,861,112	14,893,124	14,150,140
Restricted	1,187,618	1,025,879	122,127	121,296	1,309,745	1,147,175
Unrestricted	1,635,602	1,423,642	3,314,657	4,049,398	4,950,259	5,473,040
Total Net Assets	\$ 9,885,110	\$ 9,738,549	\$11,268,018	\$11,031,806	\$21,153,128	\$20,770,355

Governmental Activities

Governmental activities increased the City's net assets by \$146,561, accounting for 38% of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

Business-type activities

At the end of the fiscal year, the net assets for business-type activities increased by \$236,212 or 62%. This is most clearly represented by the increase in revenue over expenditures. Three funds comprise the business-type activities. The water fund was the only fund to experience an increase in net assets of \$277,688 for the year.

TABLE 2
CITY OF WHITEHALL CHANGES IN NET ASSETS

Major Categories	Governmental Activities 2006	Governmental Activities 2005	Business Type Activities 2006	Business Type Activities 2005	Total 2006	Total 2005
Revenues						
Program rev						
Charges for services	\$ 171,657	\$ 124,143	\$1,616,544	\$ 1,877,769	\$1,788,201	\$ 2,001,912
Op. grants	10,175	16,273	-	-	10,175	16,273
Capital grants	26,235	101,463	-	-	26,235	101,463
General rev.						
Property taxes	1,063,573	1,055,830	-	-	1,063,573	1,055,830
Grants/cont.	751,158	898,536	-	-	751,158	898,536
Unrest earnings	107,155	70,022	113,778	51,135	220,933	121,157
Misc	32,503	40,270	-	-	32,503	40,270
Gain (loss) on sales	(23,721)	8,150	-	-	(23,721)	8,150
Transfers	535,350	316,198	-	-	535,350	316,198
Total Revenues	2,674,085	2,630,885	1,730,322	1,928,904	4,404,407	4,559,789
Expenses						
General govern	549,334	545,956	-	-	549,334	545,956
Public safety	887,040	862,331	-	-	887,040	862,331
Public works	881,034	812,008	-	-	881,034	812,008
Health & welfare	5,898	8,737	-	-	5,898	8,737
Culture & rec.	144,921	123,796	-	-	144,921	123,796
Economic dev	19,781	17,632	-	-	19,781	17,632
Other	8,455	17,893	-	-	8,455	17,893
Interest	31,061	33,323	-	-	31,061	33,323
Sewer fund	-	-	754,853	756,319	754,853	756,319
Water fund	-	-	540,064	490,151	540,064	490,151
Marina fund	-	-	199,193	197,104	199,193	197,104
Total Expenses	2,527,524	2,421,676	1,494,110	1,443,574	4,021,634	3,865,250
Increase in Net Assets	146,561	209,209	236,212	485,330	382,773	694,539
Net Assets-- July 1, 2005	9,738,549	9,529,340	11,031,806	10,546,476	20,770,355	20,075,816
Net Assets-- June 30, 2006	\$ 9,885,110	\$ 9,738,549	\$11,268,018	\$11,031,806	\$21,153,128	\$20,770,355

FINANCIAL ANALYSIS

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the governmental funds reported a combined fund balance of \$2,763,351. Of this number, \$1,533,255 represents the unreserved fund balance, comprised of \$746,486 in the General Fund, \$393,098 in the Street Improvement Fund, and \$393,671 in other governmental funds. It is necessary to further distinguish between unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$42,478), capital purchases (\$816,102), and reserves for perpetual care (\$371,516).

The General Fund is the chief operating fund of the City. At the end of 2006, the unreserved General Fund balance was \$746,486 and the total General Fund balance was \$788,964. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45% of the general fund expenditures.

Proprietary Funds

The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net assets of the Sewer Fund at the end of the year decreased by \$30,385 and the Marina Fund also decreased by \$11,091. The Water Fund increased by \$277,688. The result was an overall net increase in the proprietary funds of \$236,212.

General Fund Budget

Minimal amendments were made to the original budget during the fiscal year. General Fund revenues were reduced in state shared revenue, and police programs. Revenues were increased for a police grant, interest earnings, and sale of fixed assets. Increases in expenses occurred for the police vehicle, downtown streetscape, and decreases in expenses for transfer to Zellar construction.

Capital Assets Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 totaled \$16,445,413 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, and vehicles.

Major capital asset events during the current fiscal year included the completion of Well #8 Construction in progress in the business type activities included infrastructure related to Division Street and Hanson Street water improvements and the governmental activities of Mill Pond and Division Street paving

TABLE 3
CITY OF WHITEHALL CAPITAL ASSETS
Net of Accumulated Depreciation

	Governmental Activities 2006	Governmental Activities 2005	Business- Type Activities 2006	Business- Type Activities 2005	Total 2006	Total 2005
Land	\$ 930,278	\$ 930,278	\$ 349,643	\$ 349,643	\$ 1,279,921	\$ 1,279,921
Construction in progress	135,248	60,018	678,853	174,832	814,101	234,850
Land improvements	257,885	309,935	265,015	275,072	522,900	585,007
Buildings	784,109	827,753	427,337	450,950	1,211,446	1,278,703
Infrastructure	5,069,873	5,371,324	7,077,491	6,727,570	12,147,364	12,098,894
Equipment	402,820	362,400	66,861	84,868	469,681	447,268
Total	\$7,580,213	\$7,861,708	\$8,865,200	\$8,062,935	\$16,445,413	\$15,924,643

Long Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$2,885,873 consisting of general obligation bonds, revenue bonds, installment purchase agreements, and accumulated compensated absences. The general obligation debt of \$365,000 in governmental funds and \$1,010,000 in the component units are backed by the full faith and credit of the City. There are also installment purchases of \$24,135 for the ambulance building and \$129,188 for the Mill Pond property on Lake Street. The remainder of the debt represents bonds secured solely by specified revenue sources.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The General Fund has three major revenue sources - state shared revenue, property taxes and contributions from TIFA and LDFA. These three comprised over 90% of the general fund revenue. In fiscal year 2006/07, State shared revenue and TIFA/LDFA contributions and property tax revenues are expected to stay the same or increase slightly.

The City has undertaken a number of measures to offset flat or declining revenues such as reducing expenditures, reduced staffing, and changes in health care plans.

The General Fund Budget expenditures increased for fiscal year 2006/07 by 12%. The budget is balanced. The Fund will be left with an adequate fund balance at 36% of expenses. Costs were increased in the majority of all the departments. The biggest increases were in police, downtown, sanitation, and transfers.

The City Council and staff remain optimistic that the City's economic stability will be further enhanced by several projects in various stages of development. These include the redevelopment of the old tannery and downtown phase II.

The City's business-type activities have not experienced the same revenue losses as the governmental activities funds. Service rates for water will remain the same for next year. Sewer rates were just increased to reflect higher costs associated with the County's collection and treatment and capital improvements. Marina rates are established by the Michigan Waterways Commission. The Water Fund has completed improvements on Hanson Street and is undertaking a system wide meter replacement program. Current savings will be used to pay for these major expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Whitehall's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Whitehall, 405 East Colby Street, Whitehall, Michigan, 49461, (231) 894-4048.

	Primary Government		
	Governmental	Business-Type	
<i>June 30, 2006</i>	Activities	Activities	Total
Assets			
Cash and investments	\$2,923,116	\$ 2,498,021	\$ 5,421,137
Receivables	1,220	391,441	392,661
Internal balances	27,641	(27,641)	-
Due from component unit	20,000	-	20,000
Due from other governmental units	158,433	4,483	162,916
Inventories	23,388	59,428	82,816
Prepaid items	42,478	-	42,478
Restricted assets	-	122,127	122,127
Capital assets, net	7,580,213	8,865,200	16,445,413
Access rights, net	-	547,038	547,038
Bond issue costs, net	-	14,515	14,515
Total Assets	10,776,489	12,474,612	23,251,101
Liabilities			
Checks issued against future deposits	-	-	-
Accounts payable and accrued expenses	89,975	116,656	206,631
Customer deposits	-	7,083	7,083
Deferred revenue	1,006	-	1,006
Bonds, capital leases and contracts, due within one year	55,870	142,124	197,994
Accrued interest, due within one year	7,380	-	7,380
Bonds, capital leases and contracts, less amounts due within one year	462,453	891,842	1,354,295
Compensated absences	274,695	48,889	323,584
Total Liabilities	891,379	1,206,594	2,097,973
Net Assets			
Investment in capital assets, net of related debt	7,061,890	7,831,234	14,893,124
Restricted for			
Capital projects	816,102	-	816,102
Debt service	-	122,127	122,127
Perpetual care	371,516	-	371,516
Unrestricted	1,635,602	3,314,657	4,950,259
Net Assets	\$9,885,110	\$11,268,018	\$21,153,128

City of Whitehall, Michigan

Statement of Net Assets

<hr/>	
Total Component Units	
<hr/>	
\$ 573,406	
-	
-	
(20,000)	
-	
-	
-	
693,196	
-	
13,572	
<hr/>	
1,260,174	
14,970	
3,237	
-	
-	
145,000	
24,044	
865,000	
-	
<hr/>	
1,052,251	
-	
-	
-	
-	
207,923	
<hr/>	
\$ 207,923	
<hr/>	

The accompanying notes are an integral part of this statement.

		Program Revenues			
<i>Year ended June 30, 2006</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Government activities					
General government	\$ 549,334	\$ 54,497	\$ -	\$ -	\$ 54,497
Public safety	887,040	25,011	10,175	-	35,186
Public works	881,034	92,149	-	26,235	118,384
Health and sanitation	5,898	-	-	-	-
Community and economic development	19,781	-	-	-	-
Culture and recreation	144,921	-	-	-	-
Other governmental functions	8,455	-	-	-	-
Interest on long-term debt	31,061	-	-	-	-
Total Government Activities	2,527,524	171,657	10,175	26,235	208,067
Business-Type Activities					
Sewer	754,853	731,920	-	-	731,920
Water	540,064	702,472	-	-	702,472
Marina	199,193	182,152	-	-	182,152
Total Business-Type Activities	1,494,110	1,616,544	-	-	1,616,544
Total Primary Government	\$ 4,021,634	\$ 1,788,201	\$ 10,175	\$ 26,235	\$ 1,824,611
Component Units					
TIFA	\$ 442,605	\$ -	\$ -	\$ -	\$ -
LDFA	124,066	-	-	-	-
Brownfield Redevelopment Authority	15,681	-	-	-	-
Total Component Units	\$ 582,352	\$ -	\$ -	\$ -	\$ -

General Revenues

Property taxes
Grants and contributions not restricted to specific programs
Reimbursements
Unrestricted investment earnings
Miscellaneous
Loss on sale of fixed assets

Total General Revenues and Special items

Change in Net Assets

Net Assets – beginning of year

Net Assets – end of year

City of Whitehall, Michigan

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Total	
Governmental	Business-Type Activities	Total	Component	Units
\$ (494,837)	\$ -	\$ (494,837)	\$ -	
(851,854)	-	(851,854)	-	
(762,650)	-	(762,650)	-	
(5,898)	-	(5,898)	-	
(19,781)	-	(19,781)	-	
(144,921)	-	(144,921)	-	
(8,455)	-	(8,455)	-	
(31,061)	-	(31,061)	-	
(2,319,457)	-	(2,319,457)	-	
-	(22,933)	(22,933)	-	
-	162,408	162,408	-	
-	(17,041)	(17,041)	-	
-	122,434	122,434	-	
(2,319,457)	122,434	(2,197,023)	-	
-	-	-	(442,605)	
-	-	-	(124,066)	
-	-	-	(15,681)	
-	-	-	(582,352)	
1,063,573	-	1,063,573	936,992	
751,158	-	751,158	-	
535,350	-	535,350	-	
107,155	113,778	220,933	23,271	
32,503	-	32,503	964	
(23,721)	-	(23,721)	(35,376)	
2,466,018	113,778	2,579,796	925,851	
146,561	236,212	382,773	343,499	
9,738,549	11,031,806	20,770,355	(135,576)	
\$ 9,885,110	\$ 11,268,018	\$ 21,153,128	\$ 207,923	

The accompanying notes are an integral part of this statement.

<i>June 30, 2006</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund
Assets			
Cash and investments	\$ 663,953	\$ 409,746	\$ 725,093
Taxes receivable	1,220	-	-
Due from other governmental units	102,124	-	13,018
Due from other funds	22,869	-	-
Due from component unit	20,000	-	-
Prepaid items	42,478	-	-
Total Assets	\$ 852,644	\$ 409,746	\$ 738,111
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 29,095	\$ 16,648	\$ 1,764
Accrued liabilities	34,254	-	-
Deferred revenue	331	-	-
Total Liabilities	63,680	16,648	1,764
Fund Balances			
Reserved for prepaid items	42,478	-	-
Reserved for capital projects	-	-	736,347
Reserved for perpetual care	-	-	-
Unreserved	746,486	393,098	-
Total Fund Balances	788,964	393,098	736,347
Total Liabilities and Fund Balances	\$ 852,644	\$ 409,746	\$ 738,111

City of Whitehall, Michigan

Governmental Funds

Balance Sheet



Other Governmental Funds	Total Governmental Funds
\$805,570	\$2,604,362
-	1,220
42,858	158,000
-	22,869
-	20,000
-	42,478
\$848,428	\$2,848,929
\$ 1,182	\$ 48,689
1,629	35,883
675	1,006
3,486	85,578
-	42,478
79,755	816,102
371,516	371,516
393,671	1,533,255
844,942	2,763,351
\$848,428	\$2,848,929

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2006

Total Fund Balance - Governmental Funds	\$ 2,763,351
Amounts reported for governmental activities in the statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	
Cost of capital assets	12,725,088
Accumulated depreciation	<u>(5,626,893)</u>
	7,098,195
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds	
Long-term liabilities	(518,323)
Compensated absences	<u>(265,879)</u>
	(784,202)
Accrued interest in governmental activities is not reported in the governmental funds.	
	(7,380)
Internal service funds are used by management to charge the costs of equipment and information system costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	
	<u>815,146</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 9,885,110

The accompanying notes are an integral part of this statement

<i>Year ended June 30, 2006</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund
Revenues			
Property taxes	\$ 1,063,573	\$ -	\$ -
Licenses and permits	13,911	-	-
Intergovernmental revenues			
Federal	3,152	-	-
State	312,058	-	26,236
Local	197,801	-	-
Charges for services	52,901	-	-
Fines and forfeitures	9,011	-	-
Reimbursements	-	242,220	293,130
Investment earnings	52,395	10,038	16,474
Other	12,088	-	-
Total Revenues	1,716,890	252,258	335,840
Expenditures			
Current			
General government	460,047	-	-
Public safety	728,426	-	-
Public works	112,677	-	-
Health and sanitation	5,898	-	-
Community and economic development	19,781	-	-
Culture and recreation	143,115	-	-
Other governmental functions	8,455	-	-
Debt service			
Principal	6,054	-	-
Interest and fees	1,840	-	-
Capital outlay	66,383	110,006	25,581
Total Expenditures	1,552,676	110,006	25,581
Excess of revenues over (under) expenditures	164,214	142,252	310,259
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	755	-	-
Operating transfers in	1,697	-	-
Operating transfers out	(94,670)	(17,520)	-
Total Other Financing Sources (Uses)	(92,218)	(17,520)	-
Net change in fund balances	71,996	124,732	310,259
Fund Balance, at beginning of year	716,968	268,366	426,088
Fund Balance, at end of year	\$ 788,964	\$ 393,098	\$ 736,347

City of Whitehall, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,063,573
-	13,911
-	3,152
281,675	619,969
-	197,801
46,364	99,265
-	9,011
-	535,350
28,248	107,155
36,531	48,619
392,818	2,697,806
-	460,047
35,393	763,819
410,738	523,415
-	5,898
-	19,781
-	143,115
-	8,455
48,303	54,357
29,812	31,652
83,149	285,119
607,395	2,295,658
(214,577)	402,148
-	755
165,510	167,207
(55,017)	(167,207)
110,493	755
(104,084)	402,903
949,026	2,360,448
\$ 844,942	\$ 2,763,351

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2006

Net Change in Fund Balances – Total Governmental Funds	\$ 402,903
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures; in the statement of activities, these costs are depreciated over their estimated useful lives	
Capital outlay	253,298
Depreciation expense	<u>(501,842)</u>
	(248,544)
Proceeds from the sale of fixed assets are reported as revenues in the governmental funds; proceeds are netted against net book value in the statement of activities and a net resulting gain or loss is recorded.	(24,478)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	54,357
Accrued interest on long-term debt is recorded in the statement of activities when incurred, but is not reported in the governmental funds until paid.	591
Increases in the compensated absences are reported on the accrual method in the statement of activities, but reported as expenditures when financial resources are used in the governmental funds.	(21,876)
The internal service fund is used by management to charge the costs of equipment and information systems to individual funds.	<u>(16,392)</u>
Change in Net Assets of Governmental Activities	\$ 146,561

The accompanying notes are an integral part of this statement.

<i>June 30, 2006</i>	Enterprise Funds		
	Sewer	Water	Marina
Assets			
Current Assets			
Cash and cash equivalents	\$1,092,446	\$ 1,231,220	\$ 174,355
Accounts receivable	216,907	174,534	-
Due from other funds	201	367	-
Due from other governmental units	-	-	4,483
Inventories	-	36,772	22,656
Total Current Assets	1,309,554	1,442,893	201,494
Restricted Assets	67,411	54,716	-
Non-Current Assets			
Capital assets, net			
Plants and systems	3,492,285	6,034,923	-
Buildings and improvements	-	341,148	474,835
Land improvements	-	-	523,536
Equipment	190,470	17,452	-
Land	-	4,223	345,420
Construction in progress	229,320	449,533	-
Less accumulated depreciation	(1,070,452)	(1,786,547)	(380,946)
Capital assets, net	2,841,623	5,060,732	962,845
Access rights, net of accumulated amortization	547,038	-	-
Bond issuance costs, net of accumulated amortization	8,520	5,995	-
Total Non-Current Assets	3,397,181	5,066,727	962,845
Total Assets	4,774,146	6,564,336	1,164,339

City of Whitehall, Michigan

Proprietary Funds

Statement of Net Assets

<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,498,021	\$ 318,754
391,441	-
568	4,772
4,483	433
59,428	23,388
2,953,941	347,347
122,127	-
9,527,208	-
815,983	410,121
523,536	-
207,922	922,054
349,643	-
678,853	-
(3,237,945)	(850,157)
8,865,200	482,018
547,038	-
14,515	-
9,426,753	482,018
12,502,821	829,365

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page.

<i>June 30, 2006</i>	Enterprise Funds		
	Sewer	Water	Marina
Liabilities			
Current Liabilities			
Accounts payable	\$ 60,152	\$ 20,177	\$ 12,685
Accrued expenses	9,652	11,951	2,039
Customer deposits	-	7,083	-
Due to other funds	367	27,842	-
Bonds, capital leases and contracts, due within one year	106,791	30,000	5,333
Total Current Liabilities	176,962	97,053	20,057
Non-Current Liabilities			
Bonds, capital leases and contracts, less amounts due within one year	571,842	320,000	-
Compensated absences	18,434	30,455	-
Total Non-Current Liabilities	590,276	350,455	-
Total Liabilities	767,238	447,508	20,057
Net Assets			
Invested in capital assets, net of related debt	2,162,990	4,710,732	957,512
Restricted for debt service	67,411	54,716	-
Unrestricted	1,776,507	1,351,380	186,770
Total Net Assets	\$4,006,908	\$ 6,116,828	\$1,144,282

City of Whitehall, Michigan

Proprietary Funds

Statement of Net Assets

<u>Total</u>	<u>Internal Service Funds</u>
\$ 93,014	\$ 3,549
23,642	1,854
7,083	-
28,209	-
<u>142,124</u>	<u>-</u>
294,072	5,403
891,842	-
<u>48,889</u>	<u>8,816</u>
<u>940,731</u>	<u>8,816</u>
1,234,803	14,219
7,831,234	482,018
122,127	-
<u>3,314,657</u>	<u>333,128</u>
<u>\$ 11,268,018</u>	<u>\$ 815,146</u>

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2006</i>	Enterprise Funds		
	Sewer	Water	Marina
Revenues			
Charges for services	\$ 723,555	\$ 684,352	\$ 182,152
Operating Expenses			
Operations	585,396	360,250	173,747
Depreciation and amortization	116,512	159,495	24,829
Total Operating Expenses	701,908	519,745	198,576
Operating Income (Loss)	21,647	164,607	(16,424)
Non-Operating Revenues (Expenses)			
Investment income	49,813	58,015	5,950
Connection fees	8,365	18,120	-
Interest expense	(52,945)	(20,319)	(617)
Total Non-Operating Revenues	5,233	55,816	5,333
Income (Loss) Before Transfers and Other Items	26,880	220,423	(11,091)
Transfers in	-	57,265	-
Transfers out	(57,265)	-	-
Gain on sale of equipment	-	-	-
Change in Net Assets	(30,385)	277,688	(11,091)
Net Assets, beginning of year	4,037,293	5,839,140	1,155,373
Net Assets, end of year	\$4,006,908	\$ 6,116,828	\$1,144,282

City of Whitehall, Michigan

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,590,059	\$ 213,735
1,119,393	163,123
300,836	79,875
<u>1,420,229</u>	<u>242,998</u>
169,830	(29,263)
113,778	10,771
26,485	-
(73,881)	-
<u>66,382</u>	<u>10,771</u>
236,212	(18,492)
57,265	-
(57,265)	-
<u>-</u>	<u>2,100</u>
236,212	(16,392)
<u>11,031,806</u>	<u>831,538</u>
<u>\$ 11,268,018</u>	<u>\$ 815,146</u>

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2006</i>	Enterprise Funds		
	Sewer	Water	Marina
Cash Flows from Operating Activities			
Receipts from customers	\$ 707,907	\$ 730,112	\$ 180,884
Receipts from interfund services provided	-	-	-
Payments to suppliers	(499,572)	(233,290)	(144,965)
Payments to employees	(141,945)	(219,901)	(40,632)
Internal activity - payments to other funds	(1,189)	(12,033)	-
Net cash provided by (used for) operating activities	65,201	264,888	(4,713)
Cash Flows from Non-Capital Financing Activities			
Operating subsidies and transfers to other funds	(57,265)	57,265	-
Cash Flows from Capital and Related Financing Activities			
Proceeds from the sale of fixed assets	-	-	-
Purchases of capital assets	(269,415)	(760,411)	-
Principal and interest paid on capital debt	(186,368)	(50,319)	(5,951)
Other receipts	8,365	18,120	-
Net cash used for capital and related financing activities	(447,418)	(792,610)	(5,951)
Cash Flows from Investing Activities			
Investment earnings	49,813	58,015	5,950
Net decrease in cash and investments	(389,669)	(412,442)	(4,714)
Cash and investments, beginning of year	1,549,526	1,698,378	179,069
Cash and investments, end of year	\$1,159,857	\$ 1,285,936	\$ 174,355

City of Whitehall, Michigan

Proprietary Funds

Statement of Cash Flows



<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,618,903	\$ -
-	213,476
(877,827)	(88,660)
(402,478)	(83,735)
(13,222)	9,132
<u>325,376</u>	<u>50,213</u>
-	-
-	2,100
(1,029,826)	(71,402)
(242,638)	-
26,485	-
<u>(1,245,979)</u>	<u>(69,302)</u>
113,778	10,771
<u>(806,825)</u>	<u>(8,318)</u>
3,426,973	327,072
<u>\$ 2,620,148</u>	<u>\$ 318,754</u>

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page.

<i>Year ended June 30, 2006</i>	Enterprise Funds		
	Sewer	Water	Marina
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 21,647	\$ 164,607	\$ (16,424)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	116,512	159,495	24,829
Change in assets and liabilities			
Receivables, net	(15,648)	45,760	-
Due from other governmental units	-	-	(1,268)
Due from other funds	(201)	1,023	-
Inventories	-	(4,778)	(6,733)
Accounts and other payables	(57,618)	(92,127)	(4,432)
Accrued expenses	1,532	5,486	(685)
Customer deposits	-	(1,522)	-
Due to other funds	(1,023)	(13,056)	-
Net Cash Provided by (Used for)			
Operating Activities	\$ 65,201	\$ 264,888	\$ (4,713)

City of Whitehall, Michigan

Proprietary Funds

Statement of Cash Flows



<u> </u>	Internal
<u> </u>	Service
<u> </u>	<u>Funds</u>
\$ 169,830	\$ (29,263)
300,836	79,875
30,112	-
(1,268)	(259)
822	9,132
(11,511)	(9,736)
(154,177)	(912)
6,333	1,376
(1,522)	-
(14,079)	-
<u>\$ 325,376</u>	<u>\$ 50,213</u>

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Fiduciary Funds

Statement of Fiduciary Net Assets

<i>June 30, 2006</i>	Pension Trust Fund	Agency Fund	
		Tax Collection Fund	
Assets			
Cash and investments	\$ 594,065	\$	-
Net Assets			
Held in trust for pension benefits	\$ 594,065	\$	-

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

<i>Year ended June 30, 2006</i>		Pension Trust Fund
Additions		
Contributions		
Employer	\$ 19,564	
Plan members	54,894	
Total contributions		74,458
Investment earnings		
Net increase in fair value of investments	37,400	
Total Additions		111,858
Deductions		
Fees		44
Change in Net Assets		111,814
Net Assets – Beginning of Year		482,251
Net Assets – End of Year		\$594,065

The accompanying notes are an integral part of this statement.

<i>June 30, 2006</i>	TIFA	LDFA
Assets		
Current Assets		
Cash and investments	\$437,583	\$135,823
Non-Current Assets		
Capital assets, net	145,568	547,628
Bond issue costs, net	-	13,572
Total Non-Current Assets	145,568	561,200
Total Assets	\$583,151	\$697,023
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Checks issued against future deposits	\$ -	\$ -
Accounts payable and accrued expenses	2,799	365
Due to the primary government	-	-
Bonds, capital leases and contracts, due within one year	80,000	65,000
Accrued interest, due within one year	12,213	11,831
Total Current Liabilities	95,012	77,196
Non-Current Liabilities		
Bonds, less amounts due within one year	365,000	500,000
Total Liabilities	460,012	577,196
Net Assets (Deficit)		
Unrestricted	123,139	119,827
Total Net Assets (Deficit)	\$123,139	\$119,827

City of Whitehall, Michigan

Components Units

Statement of Net Assets



Brownfield Redevelopment Authority	Total
\$ -	\$ 573,406
-	693,196
-	13,572
-	706,768
\$ -	\$1,280,174

\$ 14,970	\$ 14,970
73	3,237
20,000	20,000
-	145,000
-	24,044
35,043	207,251
-	865,000
35,043	1,072,251
(35,043)	207,923
\$ (35,043)	\$ 207,923

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2006</i>	Expenses	Program Revenue
Component Units		
TIFA		
General government	\$ 47,741	\$ -
Public works	59,070	-
Interest on long-term debt	20,714	-
Other governmental function	315,080	-
Total TIFA	442,605	-
LDFA		
General government	63,316	-
Public works	7,039	-
Interest on long-term debt	19,711	-
Other governmental function	34,000	-
Total LDFA	124,066	-
Brownfield Redevelopment Authority	15,681	-
Total Component Units	\$ 582,352	\$ -
General revenues		
Property taxes		
Unrestricted investment earnings		
Miscellaneous		
Loss on sale of fixed asset		
Total general revenues, special items, and transfers		
Change in Net Assets		
Net Assets (Deficit), beginning of year		
Net Assets (Deficit), end of year		

City of Whitehall, Michigan

Components Units

Statement of Activities



Net (Expense) Revenue and Changes in Net Assets				
TIFA	LDFA	Brownfield Redevelopment Authority	Total	
\$ (47,741)	\$ -	\$ -	\$ (47,741)	
(59,070)	-	-	(59,070)	
(20,714)	-	-	(20,714)	
(315,080)	-	-	(315,080)	
(442,605)	-	-	(442,605)	
-	(63,316)	-	(63,316)	
-	(7,039)	-	(7,039)	
-	(19,711)	-	(19,711)	
-	(34,000)	-	(34,000)	
-	(124,066)	-	(124,066)	
-	-	(15,681)	(15,681)	
(442,605)	(124,066)	(15,681)	(582,352)	
727,204	209,788	-	936,992	
18,204	5,067	-	23,271	
850	114	-	964	
-	(35,376)	-	(35,376)	
746,258	179,593	-	925,851	
303,653	55,527	(15,681)	343,499	
(180,514)	64,300	(19,362)	(135,576)	
\$ 123,139	\$119,827	\$(35,043)	\$ 207,923	

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the City of Whitehall (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Financial Reporting Entity

The City of Whitehall (City) is a municipal corporation governed by an elected seven-member City Council which appoints one of its members as mayor and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units – The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. Each discretely presented component unit has a June 30, fiscal year end. The discretely presented component units are as follows:

Tax Increment Finance Authority (TIFA), Brownfield Redevelopment Authority (Brownfield), and Local Development Finance Authority (LDFA). The TIFA, Brownfield and LDFA boards are appointed by the City Council, but the Authorities operate as a separate entity. The boards can authorize and issue debt independent from the City. The component units are presented as governmental fund types.

City of Whitehall, Michigan

Notes to Basic Financial Statements

The White Lake Ambulance Authority, White Lake Fire Authority, White Lake Area Solid Waste Authority, and White Lake Community Library are related organizations which are excluded financial reporting entities because the City's accountability does not extend beyond appointments and annual contributions. Audited financial statements are available from each entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Whitehall, Michigan

Notes to Basic Financial Statements

The City reports the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Improvement Fund – This fund is used to improve the City's infrastructure.

Tannery Development Construction Fund – This fund is used to improve the City's waterfront.

The City reports the following three major proprietary funds:

Sewer Fund – This fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

Water Fund – This fund operates the City's water distribution system.

Marina Fund - This fund operates a municipal marina.

Additionally, the City reports the following fund types:

Pension Trust Fund – This fund accounts for the activities of the City's employees retirement plan, which accumulates resources for pension benefit payments.

Internal Service Fund – This fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Whitehall, Michigan

Notes to Basic Financial Statements

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool. All investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Whitehall, Michigan

Notes to Basic Financial Statements

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the City totaled approximately \$107,700,000 of which approximately \$45,200,000 was captured by the component units. The ad valorem taxes levied consisted of 12.779 mills for the City's operating purposes. These amounts are recognized in the respective General Fund, TIFA and LDFA.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	20-30
Land improvements	10-20
Equipment	5-10
Access rights	40

City of Whitehall, Michigan

Notes to Basic Financial Statements

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 20 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. Unused accumulated sick leave is paid to employees who resign or retire, limited to 75 days. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a Prior to the first Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c Not later than the first Monday in June, the budget is legally enacted through passage of a resolution.

City of Whitehall, Michigan

Notes to Basic Financial Statements

- d Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. The City Council made several supplemental budgetary appropriations throughout the year.

Fund Deficit

As of June 30, 2006, the City's Brownfield Redevelopment Authority had an undesignated fund deficit of \$35,043. In addition, the City's Leaf Removal and Disposal Fund had an undesignated fund deficit of \$2,392. The deficits will be eliminated through future operations.

3. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2006, \$5,172,055 of the City's bank balances of \$5,572,055 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$5,172,055</u>
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City of Whitehall, Michigan

Notes to Basic Financial Statements

Investments

At June 30, 2006, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ 302,032
FNMA Disc NT	268,785
Total	\$ 570,817

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments are held in the name of the City.

Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

The City had no investment policy that would further limit its investment choices. At June 30, 2006, the City's investment in FNMA Disc NT was rated AAA by Standard & Poor's.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer

4. Restricted Assets

Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2006, restricted cash and investments in the enterprise funds are restricted as follows:

Business-Type Activities

Water Fund

Bond and Interest Redemption Fund	\$ 19,716
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Bond Reserve Fund	35,000
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	54,716
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Sewer Fund

Bond and Interest Redemption Fund	17,911
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Bond Reserve Fund	49,500
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	67,411
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	\$ 122,127
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After meeting the operation and maintenance and bond and interest redemption requirements of the bond ordinances, all remaining revenues of the system are to be paid to the bond reserve accounts until a sum equal to the maximum annual debt service requirement on the bonds has been accumulated. These amounts were achieved by March 2006, as required. As of June 30, 2006, there was \$84,500 deposited into this account.

City of Whitehall, Michigan

Notes to Basic Financial Statements

- 5. Capital Assets** Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not depreciable:				
Land	\$ 930,278	\$ -	\$ -	\$ 930,278
Construction in progress	60,018	110,006	34,776	135,248
Total capital assets, not depreciable	990,296	110,006	34,776	1,065,526
Capital assets being depreciated:				
Infrastructure	9,154,122	88,049	-	9,242,171
Buildings and other improvements	1,511,205	-	-	1,511,205
Land improvements	1,026,229	-	-	1,026,229
Equipment	1,095,591	136,943	20,402	1,212,132
Total capital assets being depreciated	12,787,147	224,992	20,402	12,991,737
Less accumulated depreciation for:				
Infrastructure	3,782,798	389,500	-	4,172,298
Buildings and other improvements	683,452	43,644	-	727,096
Land improvements	716,294	52,050	-	768,344
Equipment	733,191	96,523	20,402	809,312
Total accumulated depreciation	5,915,735	581,717	20,402	6,477,050
Total capital assets being depreciated, net	6,871,412	(356,725)	-	6,514,687
Capital Assets, Net	\$ 7,861,708	\$ (246,719)	\$ 34,776	\$ 7,580,213

City of Whitehall, Michigan

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not depreciable:				
Land	\$ 349,643	\$ -	\$ -	\$ 349,643
Construction in progress	174,832	669,410	165,389	678,853
Total capital assets, not depreciable	524,475	669,410	165,389	1,028,496
Capital assets being depreciated:				
Plants and systems	8,987,315	566,705	26,812	9,527,208
Buildings and improvements	1,129,553	-	313,570	815,983
Land improvements	523,536	-	-	523,536
Equipment	207,922	-	-	207,922
Total capital assets being depreciated	10,848,326	566,705	340,382	11,074,649
Less accumulated depreciation for:				
Plants and systems	2,259,745	216,784	26,812	2,449,717
Buildings and improvements	678,603	23,613	313,570	388,646
Land improvements	248,464	10,057	-	258,521
Equipment	123,054	18,007	-	141,061
Total accumulated depreciation	3,309,866	268,461	340,382	3,237,945
Total capital assets being depreciated, net	7,538,460	298,244	-	7,836,704
Capital Assets, Net	\$ 8,062,935	\$ 967,654	\$ 165,389	\$ 8,865,200

City of Whitehall, Michigan

Notes to Basic Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 30,136
Public safety	112,281
Public works	357,619
Culture and recreation	1,806
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	79,875

\$ 581,717

Business type activities:

Sewer	\$ 84,804
Water	158,828
Marina	24,829

\$ 268,461

At June 30, 2006, the City had entered into various agreements for construction projects. Below is a summary of those agreements:

Fund	Project	Spent- to-Date	Remaining
Street Improvement	Division Street	\$ 135,248	\$ 960,186
Water	Hansen Street	143,503	146,720
		\$ 278,751	\$1,106,906

City of Whitehall, Michigan

Notes to Basic Financial Statements

Component Units	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not depreciable				
Tax Increment Finance Authority				
Land	\$ 145,568	\$ -	\$ -	\$ 145,568
Local Development Finance Authority				
Land	601,553	-	53,925	547,628
Capital Assets, Net	\$ 747,121	\$ -	\$ 53,925	\$ 693,196

6. Access Rights

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Sewer Fund				
Access rights (40 years)	\$ 1,287,113	\$ -	\$ 40,900	\$ 1,246,213
Less accumulated amortization	(668,414)	(30,761)	-	(699,175)
Access rights, net of accumulated amortization	\$ 618,699	\$ (30,761)	\$ 40,900	\$ 547,038

City of Whitehall, Michigan

Notes to Basic Financial Statements

7. Bond Issuance Costs

Business-Type Activities	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Sewer Fund				
Issuance costs (9 years)	\$ 11,370	\$ -	\$ -	\$ 11,370
Issuance costs (15 years)	14,200	-	-	14,200
Water Fund				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	9,992	-	-	9,992
Total bond issuance costs	174,280	-	-	174,280
Less amortization				
Sewer Fund				
Issuance costs (9 years)	11,370	-	-	11,370
Issuance costs (15 years)	4,733	947	-	5,680
Water Fund				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	3,330	667	-	3,997
	158,151	1,614	-	159,765
Total Bond Issuance Cost, Net of Accumulated Depreciation	\$ 16,129	\$ (1,614)	\$ -	\$ 14,515

Amortization expense was charged to functions as follows:

Sewer	\$ 947
Water	667
	\$ 1,614

Component Units	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
LDFA	\$ 19,389	\$ -	\$ -	\$ 19,389
Less accumulated amortization	(3,876)	(1,941)	-	(5,817)
Bond Issuance Cost, Net of Accumulated Depreciation	\$ 15,513	\$ (1,941)	\$ -	\$ 13,572

City of Whitehall, Michigan

Notes to Basic Financial Statements

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned
Receivables	\$ 1,006
Total deferred/unearned revenue for governmental funds	\$ 1,006

9. Interfund Receivables, Payables and Transfers

The composition of interfund balances, caused by normal operation, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 22,869
Sewer Fund	Water Fund	201
Water Fund	Sewer Fund	367
Internal Service Fund	Water Fund	4,772
		\$ 28,209

Due from/to primary government and component units:

Primary government

General Fund – operation loan	\$ 20,000	\$ -
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Component unit

Brownfield – operation loan	-	20,000
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	\$ 20,000	\$ 20,000
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City of Whitehall, Michigan

Notes to Basic Financial Statements

	Transfers in:			
	General	Other		
	Fund	Nonmajor	Total	Purpose
		Funds		
Transfers out:				
General Fund	\$ -	\$ 94,670	\$ 94,670	Public works
Street Improvement fund	-	17,520	17,520	Public service
Nonmajor governmental funds	1,697	53,320	55,017	Public works and debt service
Total	\$ 1,697	\$ 165,510	\$ 167,207	

City of Whitehall, Michigan

Notes to Basic Financial Statements

10. Long-Term Debt The following is a summary of the long-term liabilities activity for the City for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Governmental Activities					
General obligation bonds	\$ 395,000	\$ -	\$ 30,000	\$ 365,000	\$ 30,000
Installment purchase agreements	177,680	-	24,357	153,323	25,870
Compensated absences	251,765	22,930	-	274,695	-
Governmental Activity Long-Term Liabilities	\$ 824,445	\$ 22,930	\$ 54,357	\$ 793,018	\$ 55,870
Business-Type Activities					
Revenue bonds	\$ 1,192,056	\$ -	\$ 163,423	\$ 1,028,633	\$ 136,791
Installment purchase bonds	10,667	-	5,334	5,333	5,333
Compensated absences	43,043	5,846	-	48,889	-
	\$ 1,245,766	\$ 5,846	\$ 168,757	\$ 1,082,855	\$ 142,124
Component Units					
TIFA (Limited tax development bonds)	\$ 525,000	\$ -	\$ 80,000	\$ 445,000	\$ 80,000
LDFA (Limited tax development bonds)	630,000	-	65,000	565,000	65,000
	\$ 1,155,000	\$ -	\$ 145,000	\$ 1,010,000	\$ 145,000

City of Whitehall, Michigan

Notes to Basic Financial Statements

Governmental Activities

General Obligation bonds

Michigan Department of Transportation loan in annual installments of \$30,000 to \$50,000 through April 2015; interest at rates varying from 5.25% to 5.55% \$ 365,000

Installment purchase agreements

Note payable to bank due in monthly installments of \$658 including interest at 6.61% through September 2009 24,135

Note payable to bank due in monthly installments through March 2012 of \$2,216, including interest at 5.95% 129,188

518,323

Compensated absences 274,695

\$ 793,018

Business-Type Activities

Revenue bonds

Muskegon County Wastewater Management System
No. 1 refunding Bonds of 2002 due in annual installments of \$60,631 to \$61,791 through July 2008; interest at rates varying from 1.8% to 5% \$ 183,633

Water Supply System Revenue bonds of 2000 due in annual installments of \$30,000 to \$50,000 through April 2015, interest at rates varying from 5.25% to 5.5% 350,000

Sanitary Sewer System Revenue Bonds of 2000 due in annual installments of \$45,000 to \$70,000 through April 2015; interest at rates varying from 5.25% to 5.55% 495,000

Installment purchase agreements

Note payable to bank due in annual installments of \$5,333 plus interest; final payment due May 2007, interest at 5.7% 5,333

1,033,966

Compensated absences 48,889

\$ 1,082,855

City of Whitehall, Michigan

Notes to Basic Financial Statements

Component Units

General Obligation bonds

Tax Increment Financing Authority \$800,000 Limited Tax
Development Bonds of 2001 due in annual installments
of \$80,000 to \$95,000 through February 2011; interest
at rates varying from 4.1% to 4.6% \$ 445,000

Local Development Finance Authority \$695,000 Tax
Increment Development Bonds of 2004 due in annual
installments of \$65,000 to \$80,000 through February
2014; interest at rates varying from 2.5% to 3.95% 565,000

\$ 1,010,000

The general obligation bonds are backed by the full faith and credit of the City.

The 1996 and 2002 County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 10 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

The 1996 and 2002 County of Muskegon wastewater contracts payable and the 2000 Water Supply revenue bonds are payable solely from the net revenues of the sewer and water supply directing the City to create funds restricted for use in the construction project and in debt service. Assets so restricted are detailed in Note 4.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2006.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Annual debt service requirements to maturity for debt outstanding as of June 30, 2006 follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 55,870	\$ 28,564	\$ 142,124	\$ 53,997	\$ 145,000	\$ 38,470
2008	62,499	25,361	136,211	46,680	150,000	33,565
2009	64,263	21,759	145,631	39,697	155,000	28,090
2010	66,238	18,181	85,000	33,718	165,000	22,115
2011	64,571	14,641	95,000	29,213	165,000	15,530
2012-2015	204,882	27,477	430,000	63,510	230,000	17,843
	\$ 518,323	\$ 135,983	\$ 1,033,966	\$ 266,815	\$ 1,010,000	\$ 155,613

11. Other Information Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Whitehall, Michigan

Notes to Basic Financial Statements

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Post-Retirement Health Care

The City has agreed to provide post-retirement health care to certain full-time employees after they reach age 55 and have 15 years of service or age 60 and have 10 years of service. The City will pay 100 percent of the non-union employee's premium and 80 percent of the union employee's premium after 20 years of employment.

As of year end, there was one retired employee receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2006, the City's post-retirement health care cost under the Plan was approximately \$3,400.

Jointly Governed Organization

The City, in conjunction with other governmental entities, created the White Lake Solid Waste Authority (WLSWA) to operate a solid waste transfer station, the White Lake Ambulance Authority (WLAA) to provide ambulance services, the White Lake Fire Authority (WLFA) to provide fire protection and rescue services, and the White Lake Community Library (WLCL) to provide an area library.

The boards of the Authorities are comprised of one or two members from each participating entity. The WLSWA board annually assesses participating entities in projected amounts required to subsidize the Authorities' annual operations. There was no assessment for WLSWA for the year ended June 30, 2006. WLFA, WLAA and WLCL are funded through a property tax levy. Audited financial statements are available from the Authorities.

City of Whitehall, Michigan

Notes to Basic Financial Statements

12. Employee Retirement Systems and Pension Plans

Pension Plan

Plan Description. The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Whitehall
401 Colby Street
Whitehall, MI 49461

Funding Policy. City employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon position from 6.53 to 15.06 percent of covered wages.

Annual Pension Cost. For the year ended June 30, 2006, the City's annual pension cost was approximately \$87,000 which the City contributed. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Three year trend information

Year Ending	Approximate Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
6/30/04	\$ 46,000	100%	\$ -
6/30/05	73,000	100%	-
6/30/06	87,000	100%	-

Required Supplementary Information *Schedule of Funding Progress* *(Dollar amounts in thousands)*

Actuarial Valuation as of December 31,	2003	2004	2005
Actuarial value of assets	\$ 2,927	\$ 3,054	\$ 3,188
Actuarial accrued liability			
(AAL) Entry Age	3,133	3,471	3,714
Unfunded AAL (UAAL)	206	417	526
Funded ratio	93%	88%	86%
Covered payroll	\$ 986	\$ 1,066	\$ 1,130
UAAL as a percentage of covered payroll	20.9%	39.1%	46.5%

City of Whitehall, Michigan

Notes to Basic Financial Statements

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

13. Economic Dependency

State of Michigan shared revenues represent 18 percent of General Fund revenues.

The City has a significant economic dependence on a local corporation that is a major employer, taxpayer, and user of water and sewer services. The following is the percentage of taxes and utilities paid by the corporation:

Real and personal property taxes	28%
Water and sewer accounts receivable	56%
Water and sewer billings	59%

14. Reconciliation of Capital Outlay

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital purchases as reported in the governmental funds	\$ 285,119
Adjustments	
Expenditures under capitalization limit	(6,240)
Capital projects not City owned	(25,581)
Net Assets capitalized	<u>\$ 253,298</u>

City of Whitehall, Michigan

Notes to Basic Financial Statements

**15. Excess of
Expenditures
Over
Appropriations
in Budgetary
Funds**

During the year ended June 30, 2006, the City incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
Leaf Removal and Disposal Fund	61,475	68,518

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities

Required Supplemental Material



	General Fund		
	Original Budget	Final Budget	Actual
<i>Year ended June 30, 2006</i>			
Revenues			
Property taxes	\$ 1,057,125	\$ 1,057,125	\$ 1,063,573
Licenses and permits	14,000	14,000	13,911
Intergovernmental revenues	535,130	512,428	513,011
Charges for services	52,500	51,500	52,901
Fines and forfeitures	11,600	7,400	9,011
Reimbursements	-	-	-
Investment earnings	28,000	30,500	52,395
Other	6,000	6,000	12,088
Total Revenues	1,704,355	1,678,953	1,716,890
Expenditures			
Current			
General government	500,735	493,935	460,047
Public safety	744,035	729,107	728,426
Public works	113,780	116,725	112,677
Health and sanitation	10,680	10,680	5,898
Community and economic development	20,485	20,485	19,781
Culture and recreation	138,760	138,760	143,115
Other governmental functions	17,610	17,610	8,455
Debt service			
Principal	6,136	6,136	6,054
Interest and fees	1,759	1,759	1,840
Capital outlay	48,100	70,100	66,383
Total Expenditures	1,602,080	1,605,297	1,552,676
Excess of Revenues Over (Under) Expenditures	102,275	73,656	164,214
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	-	700	755
Transfers in	21,865	1,682	1,697
Transfers (out)	(106,765)	(94,672)	(94,670)
Total Other Financing Uses	(84,900)	(92,290)	(92,218)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	17,375	(18,634)	71,996
Fund Balance, at beginning of year	716,968	716,968	716,968
Fund Balance, at end of year	\$ 734,343	\$ 698,334	\$ 788,964

City of Whitehall, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Government Funds

Street Improvement Fund		
Original Budget	Final Budget	Actual
\$ -	\$ -	\$ -
-	-	-
600,000	281,000	-
-	-	-
-	-	-
164,000	242,220	242,220
300	3,800	10,038
-	-	-
764,300	527,020	252,258
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
907,000	172,000	110,006
907,000	172,000	110,006
(142,700)	355,020	142,252
-	-	-
-	-	-
(17,520)	(17,520)	(17,520)
(17,520)	(17,520)	(17,520)
(160,220)	337,500	124,732
268,366	268,366	268,366
\$ 108,146	\$ 605,866	\$ 393,098

City of Whitehall, Michigan

Required Supplementary Information for Pension Plans - GASB 27

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31,						
2003	\$ 2,927	\$ 3,133	\$ 206	93%	\$ 986	20.9%
2004	3,054	3,471	417	88%	1,066	39.1%
2005	3,188	3,714	526	86%	1,130	46.5%

		Special	
	Total Other Governmental Funds	Leaf Removal and Disposal	Central Business District Improvement #1
<i>June 30, 2006</i>			
Assets			
Cash and investments	\$805,570	\$ (2,392)	\$ -
Due from other governmental units	42,858	-	-
Total Assets	\$848,428	\$ (2,392)	\$ -
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,182	\$ -	\$ -
Accrued liabilities	1,629	-	-
Deferred revenue	675	-	-
Total Liabilities	3,486	-	-
Fund balances			
Reserved for capital projects	79,755	-	-
Reserved for perpetual care	371,516	-	-
Unreserved	393,671	(2,392)	-
Total Fund Balances (Deficits)	844,942	(2,392)	-
Total Liabilities and Fund Balances	\$848,428	\$ (2,392)	\$ -

City of Whitehall, Michigan

Combining Balance Sheet - Non-Major Governmental Funds

Revenue Funds

Major Street	Local Street	Building Inspection	Sidewalk Improvement
\$169,177	\$126,360	\$ 30,660	\$ 29,819
32,110	10,748	-	-
\$201,287	\$137,108	\$ 30,660	\$ 29,819
\$ 974	\$ 180	\$ 28	\$ -
495	652	482	-
-	-	-	-
1,469	832	510	-
-	-	-	-
-	-	-	-
199,818	136,276	30,150	29,819
199,818	136,276	30,150	29,819
\$201,287	\$137,108	\$ 30,660	\$ 29,819

This statement covers more than one page.

	Capital Projects		
<i>June 30, 2006</i>	Mill Pond Construction	Capital Improvements	Public Improvement
Assets			
Cash and investments	\$ -	\$ 72,665	\$ 7,765
Due from other governmental units	-	-	-
Total Assets	\$ -	\$ 72,665	\$ 7,765
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Deferred revenue	-	-	675
Total Liabilities	-	-	675
Fund balances			
Reserved for capital projects	-	72,665	7,090
Reserved for perpetual care	-	-	-
Unreserved	-	-	-
Total Fund Balances (Deficits)	-	72,665	7,090
Total Liabilities and Fund Balances	\$ -	\$ 72,665	\$ 7,765

City of Whitehall, Michigan

Combining Balance Sheet - Non-Major Governmental Funds

<u>Funds</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>
Warner Zellar Fund	2000 Michigan Department of Transportation	Cemetery Care Fund
\$ -	\$ -	\$371,516
-	-	-
\$ -	\$ -	\$371,516
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	371,516
-	-	-
-	-	371,516
\$ -	\$ -	\$371,516

		Special	
	Total Other Governmental Funds	Leaf Removal and Disposal	Central Business District Improvement #1
<i>Year ended June 30, 2006</i>			
Revenues			
Intergovernmental revenues			
State	\$ 281,675	\$ -	\$ -
Charges for services	46,364	-	-
Investment earnings	28,248	101	-
Other	36,531	-	-
Total Revenues	392,818	101	-
Expenditures			
Current			
Public safety	35,393	-	-
Public works	410,738	68,518	851
Debt service			
Principal	48,303	-	-
Interest and fees	29,812	-	-
Capital outlay	83,149	-	-
Total Expenditures	607,395	68,518	851
Excess of Revenues Over (Under)			
Expenditures	(214,577)	(68,417)	(851)
Other Financing Sources (Uses)			
Operating transfers in	165,510	55,265	-
Operating transfers out	(55,017)	-	-
Total Other Financing Sources (Uses)	110,493	55,265	-
Net Change in Fund Balance	(104,084)	(13,152)	(851)
Fund Balance, at beginning of year	949,026	10,760	851
Fund Balance (Deficit), at end of year	\$ 844,942	\$ (2,392)	\$ -

City of Whitehall, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds

Revenue Funds

Major Street	Local Street	Building Inspection	Sidewalk Improvement
\$ 192,130	\$ 89,545	\$ -	\$ -
-	-	39,264	-
5,895	4,311	1,073	239
28,431	-	-	-
226,456	93,856	40,337	239
-	-	35,393	-
145,846	118,302	-	-
-	-	-	-
-	-	-	-
3,598	-	-	1,800
149,444	118,302	35,393	1,800
77,012	(24,446)	4,944	(1,561)
-	26,310	-	29,500
(41,468)	(11,852)	-	-
(41,468)	14,458	-	29,500
35,544	(9,988)	4,944	27,939
164,274	146,264	25,206	1,880
\$ 199,818	\$ 136,276	\$ 30,150	\$ 29,819

This statement covers more than one page.



<i>Year ended June 30, 2006</i>	Capital Projects		
	Mill Pond Construction	Capital Improvements	Public Improvement
Revenues			
Intergovernmental revenues			
State	\$ -	\$ -	\$ -
Charges for services	-	-	-
Investment earnings	729	2,474	493
Other	-	-	8,100
Total Revenues	729	2,474	8,593
Expenditures			
Current			
Public safety	-	-	-
Public works	77,221	-	-
Debt service			
Principal	-	-	18,303
Interest and fees	-	-	8,282
Capital outlay	-	-	-
Total Expenditures	77,221	-	26,585
Excess of Revenues Over (Under)			
Expenditures	(76,492)	2,474	(17,992)
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(1,697)	-	-
Total Other Financing Sources (Uses)	(1,697)	-	-
Net Change in Fund Balance	(78,189)	2,474	(17,992)
Fund Balance, at beginning of year	78,189	70,191	25,082
Fund Balance (Deficits), at end of year	\$ -	\$ 72,665	\$ 7,090

City of Whitehall, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds

<u>Funds</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>
Warner Zellar Fund	2000 Michigan Department of Transportation	Cemetery Care Fund
\$ -	\$ -	\$ -
-	-	7,100
1,038	-	11,895
-	-	-
1,038	-	18,995
-	-	-
-	-	-
-	30,000	-
-	21,530	-
77,751	-	-
77,751	51,530	-
(76,713)	(51,530)	18,995
2,905	51,530	-
-	-	-
2,905	51,530	-
(73,808)	-	18,995
73,808	-	352,521
\$ -	\$ -	\$ 371,516

<i>Ten Years Ended June 30,</i>	2006	2005	2004	2003
Tax levy and millages				
Estimated population	2,884	2,884	2,884	2,884
State equalized valuation				
City total	\$107,653,140	\$104,782,541	\$101,095,154	\$99,941,443
Per resident	37,328	36,332	35,054	34,654
Tax levy (mills)				
General fund	12.779	13.219	13.219	13.219
Tax levy – amounts				
Total levy	\$ 1,375,699	\$ 1,385,120	\$ 1,336,377	\$ 1,321,126
Per resident	477.01	480.28	463.38	458.09
State shared revenues				
Total amount	\$ 619,969	\$ 579,834	\$ 603,929	\$ 607,093
Per resident	214.97	201.06	209.41	210.50
Federal shared revenues				
Total amount	\$ 3,152	\$ 12,368	\$ 225,407	\$ 6,250
Per resident	1.09	4.29	78.16	2.17
Total revenue – General Fund				
Amount	\$ 1,719,342	\$ 1,879,255	\$ 1,778,162	\$ 1,766,576
Per resident	596.17	651.62	616.56	612.54
Total expenditures – General Fund				
Amount	\$ 1,647,346	\$ 2,054,217	\$ 1,712,443	\$ 1,845,898
Per resident	571.20	712.28	593.77	640.05

2005 Current real and personal property taxes were assessed and collected as detailed below:

Unit	Levy	Collected	Delinquent	Percent Collected
City	\$ 1,375,699	\$ 1,375,616	\$ 83	
School	3,086,763	2,915,779	170,984	
County	966,661	913,308	53,353	
Library	123,801	116,212	7,589	
Fire Authority	155,064	145,559	9,505	
Ambulance Authority	67,283	63,159	4,124	
	\$ 5,775,271	\$ 5,529,633	\$ 245,638	95.7%

City of Whitehall, Michigan

Schedule of Operating Statistics (Unaudited)



2002	2001	2000	1999	1998	1997
2,884	2,884	3,027	3,027	3,027	3,027
\$93,307,236	\$87,605,217	\$ 86,596,278	\$82,616,153	\$77,758,250	\$71,723,249
32,007	30,376	28,608	27,293	25,688	23,694
13 219	13 219	13 358	14 018	13 500	13 350
\$ 1,220,202	\$ 1,158,046	\$ 1,156,753	\$ 1,158,113	\$ 1,049,737	\$ 957,506
423 09	401 54	382 15	382 59	346 79	316 32
\$ 640,490	\$ 682,673	\$ 686,772	\$ 662,591	\$ 657,322	\$ 653,616
222 08	236 71	226 89	218 89	217 15	215 93
\$ 25,517	\$ 638,407	\$ 2,049,179	\$ 164,643	\$ 35,000	\$ -
8 84	221 36	676 97	54 39	11 56	-
\$ 1,793,793	\$ 1,647,413	\$ 1,580,737	\$ 1,509,145	\$ 1,348,564	\$ 1,374,410
621 98	571 22	522 22	498 56	445 51	454 05
\$ 1,727,770	\$ 1,474,719	\$ 1,461,157	\$ 1,324,965	\$ 1,215,936	\$ 1,204,048
599 08	511 34	482 71	437 71	401 70	397 77

City of Whitehall, Michigan

Comparative Operating Statistics Water and Sewer System (Unaudited)

	2006	2005	2004	2003	2002
Population served	2,884	2,884	2,884	2,884	2,884
Average number of meters in service	1,413	1,391	1,274	1,246	1,284
M. gallons pumped to main	381,490	388,872	390,293	389,188	397,396
M. gallons sold	350,225	312,959	364,611	365,705	369,681
M. gallons water line loss	31,265	75,913	25,682	23,483	27,715
Loss percent to total pumpage	8.2%	19.5%	6.6%	6.0%	7.0%
Revenues from sales					
Water	\$ 673,300	\$744,115	\$692,830	\$713,959	\$723,439
Sewer	725,728	753,835	724,480	716,075	755,720
Average number of customers	1,290	1,311	1,150	1,143	1,169

City of Whitehall, Michigan



Additional Reports Required by Government Auditing Standards

June 30, 2006

City of Whitehall, Michigan

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Honorable Mayor and Members of the City Council
City of Whitehall, Michigan

We have audited the financial statements of the City of Whitehall, Michigan as of and for the year ended June 30, 2006 and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Whitehall, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whitehall, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the members of the City Council, management and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties

Bridnia LaPres, PLLC

Muskegon, Michigan
September 8, 2006